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# China Report

**POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS**

PRC STATE COUNCIL BULLETINS

No 13, 30 MAY; No 14, 10 JUNE 1986

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CHINA REPORT  
POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS  
PRC STATE COUNCIL BULLETINS

No 13, 30 May; No 14, 10 June 1986

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese 30 May, 10 Jun 86

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CONTENTS

State Council Circular on the Promulgation of "Provisional Regulations of the PRC on Taxation Control" (21 April 1986) [not translated]

Provisional Regulations of the PRC on Taxation Control (Promulgated by the State Council on 21 April 1986) [not translated]

Provisional Regulations on Responsibility for the Administration of Higher Education (Promulgated by the State Council on 12 March 1986)... 1

State Council Circular on the Promulgation of "Provisional Regulations Governing the Collection of Educational Surcharges" (28 April 1986) [not translated]

Provisional Regulations Governing the Collection of Educational Surcharges (Promulgated by the State Council on 28 April 1986) [summary published in FBIS-CHI-86-089, 8 May 1986 p K4]

Circular of the General Office of the State Council on the Allocation of Sedans for Operational Use (24 April 1986) [full summary published in FBIS-CHI-86-088, 7 May 1986 p K8]

Circular of the General Office of the State Council on the Circulation of a Report on Improving the Production and Marketing of Vegetables in Urban Areas (7 April 1986) [not translated]

Report by the Ministry of Commerce, the Ministry of Agriculture, Animal Husbandry, and Fishery, the State Bureau of Commodity Prices, and the State Industry and Commerce Administration on Improving the Production and Marketing of Vegetables in Urban Areas (31 March 1986) [summary published in FBIS-CHI-86-081, 28 April 1986 p K24]

Detailed Rules of Implementation of the Forestry Law of the PRC (Promulgated by the Ministry of Forestry on 10 May 1986) [not translated]

Provisional Regulations of the Ministry of Finance on Certain Taxation Questions Concerning the Promotion of Lateral Economic Ties (29 March 1986)..... 7

Provisional Regulations of the Ministry of Finance on Taxing the Income of Scientific and Technological Research Institutes (1 April 1986)..... 10

Provisional Regulations on the Registration of Organizations of Economic Association (Promulgated by the State Industry and Commerce Administration on 31 March 1986)..... 12

State Council Appointments and Removals (5 January 1986)..... 15

Provisional Regulations of the State Council on the Expansion of the Autonomous Power of Scientific and Technological Research Institutes (Promulgated by the State Council on 19 April 1986)..... 16

State Council Circular on Stepping up Control Over Extrabudgetary Funds (13 April 1986) [not translated]

State Council Circular on Resolutely Stopping Soliciting of Funds From Enterprises (23 April 1986)..... 20

Circular of the State Education Commission on the Promulgation of the "Program for Teaching Moral and Ideological Subjects in Full-Day Primary Schools" (17 May 1986) [not translated]

Program for Teaching Moral and Ideological Subjects in Full-Day Primary Schools (May 1986)

## PROVISIONAL RULES ON ADMINISTRATION OF HIGHER EDUCATION

Beijing STATE COUNCIL BULLETIN in Chinese No 13, 30 May 86 pp 442-446

[Provisional Regulations on Responsibility for the Administration of Higher Education (Promulgated by the State Council on 12 March 1986)]

[Text] In order to strengthen and improve the objective guidance and administration of higher education, strengthen the administrative power of schools of higher education, give full play to the enthusiasm of schools, the masses of the teachers and students, school administration units and personnel departments in a bid to make higher education better serve socialist modernization. The following measures are provided for the administrative responsibilities of the State Education Commission, relevant departments of the State Council, the people's governments of provinces, autonomous regions, and municipalities directly under the central government, and the administrative arm of schools of higher education:

I. Under the Guidance of the State Council, the State Education Commission Will Be in Charge of National Higher Education, With the Following Main Responsibilities:

1. To implement the policies and enforce the laws and administrative rules on higher education of the party and the state.

To direct and inspect relevant departments and schools of higher education of provinces, autonomous regions, and municipalities directly under the central government and the State Council in relation to their implementation of the policies, laws and administrative rules set out by the party and the state.

2. To estimate the national demand for professionals, to make development plans for national higher education and annual admission plans, readjust the structure and distribution of higher education and to approve the establishment, deactivation, and readjustment of schools of higher education (including higher special technical schools), and graduate schools. To make provisions for admissions and placement for graduates and to make annual proposals for the state unified placement of graduates.

3. To set establishment standards for schools of higher education and graduate schools. To prepare basic professional catalogs for schools of higher education and organize approval for the establishment of professional disciplines.
4. To join hands with relevant departments of the State Council to set criteria for investments in capital construction, operating expenses, staff establishment, the management system of centralized allocation of supplies and equipment, and the quota standard in connection with higher education. To advise on the allocation proposals for investments in capital construction, educational and scientific research funds, special expenses, foreign exchange, and the centralized allocation of supplies and equipment for higher education at the central level. To control investments in capital construction, operating expenses, and staff establishment in connection with the regulation of cooperative development of higher education, and the support of key subject areas. To administer foreign assistance and grants for higher education.
5. To set rules on personnel management of schools of higher education. To plan and organize the establishment of teaching staff and cadre teams of schools of higher education. To organize and give guidance to schools of higher education concerning professional appointments in accordance with the State Council's "Provisions for the Implementation of the Professional Appointment System."
6. To advise on ideological, academic, physical training, hygiene, and daily administrative work of schools of higher education. To determine the length of schooling and training standards for graduate students, college students, and training school students. To prepare guiding papers on teaching. To plan and organize the compilation and vetting of teaching materials. To organize the examination and evaluation of the teaching quality of schools of higher education.
7. To guide and manage the admission and training of graduate students of schools of higher education and scientific research institutes. To direct the conferral of degrees. To direct and manage post-doctoral scientific mobile research workshops.
8. To direct the scientific research of schools of higher education. To work with the responsible departments for national S&T research. To organize the planning of and establish the management system for scientific research in schools of higher education. To promote cooperation and union between schools and scientific research, production and social departments and interschool cooperation.
9. To direct and manage the work of students of schools of higher education studying abroad, foreign students, and foreign intellectual assistance. To promote international academic exchanges and cooperation of schools of higher education.

10. To provide services, such as educational information and information on education and markets for talented personnel and examinations for schools of higher education.

11. To centralize and direct various forms of adult higher education and make development plans for adult higher education. To make and issue annual admission plans. To make plans for further education with relevant departments of the State Council.

12. To directly run some schools of higher education.

II. Under the Guidance of the State Education Commission, Relevant Departments of the State Council Will Run Schools of Higher Education Which Are Directly Under them and Their Main Responsibilities Are as Follows:

1. To implement the policies and enforce the laws and administrative rules on higher education of the party and state.

2. To estimate the demand for relevant professionals. To make development plans, annual admission plans, and placement for graduates within their jurisdiction for schools of higher education which are directly under them. To direct the work of admission and placement for graduates.

3. To consider the establishment, deactivation, and readjustment of schools of higher education and their establishment of professional disciplines and major subjects and to forward applications or proposals to the State Education Commission. To consider and approve the establishment and deactivation of additional professional disciplines in schools of higher education which are directly under them in accordance with relevant provisions and as assigned by the State Education Commission.

4. To examine and vet the allocation and final accounts of investments in capital construction, the centralized allocation of supplies and equipment, and the budget for operating expenses of schools of higher education which are directly under them.

5. To direct the ideological, academic, scientific research and daily administrative work of schools of higher education which are directly under them. To appoint and dismiss leading personnel of school. To organize and direct professional appointments by schools of higher education which are directly under them in accordance with the State Council's "Provisions for the Implementation of the Professional Appointment System."

6. To evaluate the teaching quality of corresponding professional disciplines of schools of higher education with relevant provinces, autonomous regions, and municipalities directly under the central government in accordance with the centralized arrangement of the State Education Commission.

7. To direct and regulate production internship and social practice for relevant students of schools of higher education. To encourage professional and research bodies of schools of higher education to take part in the S&T exploration of relevant disciplines and to promote relations between enterprises and schools.

8. To encourage schools of higher education which are directly under them to be geared to social needs. To jointly run schools with relevant departments of the State Council and with localities.

9. To take charge of their own adult higher education, professional training, further education, and the compilation of relevant teaching materials.

III. The People's Governments of Provinces, Autonomous Regions and Municipalities Directly Under the Central Government Will Manage Schools of Higher Education Within Their Own Jurisdiction With Their Main Responsibilities Being as Follows:

1. To direct and examine the implementation of the policies, laws, and administrative rules on higher education of the party and state by schools of higher education within their own jurisdiction.

2. To estimate the demand for professionals within their own jurisdiction. To make development plans and annual admission plans for schools of higher education which are directly under them. To organize and direct admission and placement for graduates. To consider the establishment, deactivation, and readjustment of schools of higher education directly under them and their establishment of professional disciplines and to forward applications or proposals to the State Education Commission. To consider and approve the establishment and deactivation of additional professional disciplines in schools of higher education directly under them in accordance with relevant provisions and as assigned by the State Education Commission.

3. To consider and vet the allocation and final accounts of the investments in capital construction, the centralized allocation of supplies and equipment and the budget for operating expenses of schools of higher education directly under them.

4. To direct the ideological, academic, scientific research, and daily administrative work of schools of higher education directly under them. To appoint and dismiss leading personnel of schools. To organize and direct professional appointments by schools of higher education directly under them and those directly under relevant departments of the State Council in accordance with the State Council's "Provisions for the Implementation of the Professional Appointment System." To help schools of higher education within their jurisdiction achieve gradual socialization in daily administrative work.

5. To organize interschool cooperation and exchange of experience for schools of higher education within their jurisdiction. To examine and assess teaching quality. To direct and regulate production internship and social practice for students of schools of higher education within their jurisdiction.

6. To encourage schools of higher education within their jurisdiction to be geared to social needs and to reach out to run schools with other departments and localities. Under the guidance of the State Education Commission, coordinate

and organize pilot schemes for joint running of schools of higher education directly under relevant departments of the State Council provided that investment funds and the demand for talented personnel are assured. To promote unity and cooperation between schools of higher education and scientific research and production departments.

7. To manage adult higher education within their jurisdiction.

IV. To Increase the Administrative Power of Schools of Higher Education and Strengthen the Adaptability of Schools of Higher Education to Economic and Social Development Needs as Follows:

1. Schools of higher education may reach out to run schools with other localities and departments and admit assigned trainees and students studying at their own expense in accordance with the proportion stipulated by the state provided that the mission of training talented personnel as assigned by the state is completed. They may propose enrollment source plans. They may admit students and handle and eliminate unqualified students in accordance with relevant state provisions. To implement placement plans made by the state. To prepare placement proposals and recommend some graduates to employers.

2. To adhere to the policy of running schools industriously and thriflty and subject to the state financial system, arrange to use their annual operating funds as checked and ratified by their supervising departments in accordance with the principle of budget management which is characterized by using funds under a contract system, overspending will not be covered and surplus will be retained, the aim being to achieve self-balance.

To admit assigned trainees and students studying at their own expense. Income from special courses for cadres, correspondence courses, evening colleges and social technical services and consultations will be spent on school and collective welfare and individual awards in accordance with relevant state provisions.

3. Subject to the overall design contracts, the overall layout plans, and the long-term and annual capital construction plans approved by their supervising departments, schools of higher education may choose their own units for project design and implementation. However, investments of the supervising departments will be made on a contract basis. Subject to the attainment of investment results and the supervising departments' approval, schools of higher education may consider and finalize design documents, and re-adjust long-term and annual capital construction plans on their own. Investments will be made on a contract basis. Any surplus will be retained and expended. Overspending will not be reimbursed.

4. Subject to the administrative power of cadres and the stipulated terms and establishment of cadres, presidents of schools of higher education may follow the selection procedures and recommend the appointment or dismissal of vice presidents for approval. They may appoint or dismiss administrative personnel at all levels. They may appoint or dismiss teaching staff and may dismiss staff and workers.

5. Approved schools of higher education may determine the appointment qualifications of associate professors in accordance with relevant state provisions. A few qualified schools of higher education may determine the appointment qualifications of professors. They may also determine courses and professional disciplines leading to the Master's degree and the augmentation of tutors for Doctor's degree candidates.

6. Subject to the education policies, length of schooling, training standards of the party and state, schools and higher education may readjust the directions of professional services, make teaching plans and training proposals, make syllabuses, adopt teaching materials and reform the curricula and teaching methods in accordance with social needs.

7. Subject to the completion of scientific research work assigned by the state, schools of higher education may bid for scientific research projects, take up scientific research work commissioned by other units and provide society with technical services and consultations.

Schools of higher education may establish scientific research bodies or integrated bodies of teaching, scientific research, and production independently or with other units, provided that such establishments not lead to any increase of capital construction investments, operating expenses and staff establishment by supervising departments. They may also accept sponsorship from enterprising units and may also determine how to use such sponsorship.

8. Subject to state foreign policies and relevant provisions, schools of higher education may actively initiate exchange programs with foreign countries. They may also approve people who go abroad or come to China for academic exchanges, provided that the funds involved are self-raised (including foreign exchange retained), or foreign subsidies which the immediate supervising departments consider acceptable or foreign exchange within the budget approved by the supervising departments. Approved schools of higher education may do the political vetting of people going abroad.

/8309  
CSO: 4005/469

## PROVISIONAL TAX RULES ON PROMOTION OF LATERAL ECONOMIC TIES

Beijing STATE COUNCIL BULLETIN in Chinese No 13, 30 May 86 pp 459-461

[Provisional Regulations of the Ministry of Finance on Certain Taxation Questions Concerning the Promotion of Lateral Economic Ties (29 March 1986)]

(Cai shuizi [6299 4451 1316] (1986) No 078)

[Text] In order to support and encourage the promotion of lateral economic ties and give full play to the economic lever of taxation, the following specific provisions for taxation are made in accordance with the State Council's "Provisions for Certain Questions Concerning the Further Promotion of Lateral Economic Ties."

### I. Taxation on Products by Organizations of Economic Association and Products for Internal Supply

Double taxation must be avoided on products which are jointly manufactured by member enterprises of an organization of economic association. In this connection, active steps should be taken. The implementation of a value-added tax should be speeded up. Taxation procedures should be streamlined. For products on which no value-added tax is levied, measures encouraging economic ties should also be adopted. The principle is that the tax burden of enterprises should not be increased because of economic ties, nor should the amount of tax collected by the state be reduced because of economic association.

A. No product tax will be levied on products for internal supply among members of an organization of economic association which practices unified accounting. Product tax will be levied on only products by organizations of economic association for external sale. The product tax rate shall be fixed according to the proportion between the amount of tax paid by each member prior to the establishment of the organization of economic association and the amount of external sale.

B. Prior to the nationwide introduction of a value-added tax, all organizations of economic association which do not practice unified accounting (except bodies which produce products with high tax rates, such as tobacco, alcohol, and cosmetics) may pay value-added tax on a trial basis, counting

the organization as a unit. Provisional regulations on value-added tax will be made by relevant provinces, autonomous regions and municipalities directly under state and municipal tax bureaus in consultation with departments concerned. Such regulations will be reported to the General Taxation Bureau of the Ministry of Finance. Unified provisions will take effect once value-added tax is introduced throughout the country.

C. Tax will be reduced or exempt for goods jointly manufactured by member enterprises of organizations of loose economic association which are unqualified for the introduction of value-added tax.

1. To achieve specialized cooperative production, an enterprise will let other enterprises produce some of its products or spare parts. Enterprises which produce these products or spare parts will supply these products or spare parts to the original enterprise at a cooperative price lower than the ex-factory price for the manufacture of complete sets or further production. Such products will enjoy tax exemption prior to the introduction of a value-added tax.

2. Products which are sent by an industrial enterprise to other enterprises for processing and, upon completion, are returned to the original enterprise for further production will enjoy tax exemption.

3. Unless specified otherwise, a low 5 percent product tax will be levied on taxed products which have been continuously and progressively processed and upon processing, the processed products fall within the same tax item or tax rate as the original taxed products.

4. A low 5 percent product tax will be levied on toothpaste and soap, spare parts for fountain pens, iridium- and ballpoint pens, glass vacuum bottle tubes, enamel flask cases, glass materials of light bulbs which are jointly produced by industrial enterprises under cooperation contracts and are supplied to partners as raw materials, spare parts, or materials for the manufacture of complete sets at a cooperative price lower than the ex-factory price.

D. Product tax (value-added tax) and resources tax will be levied in accordance with the actual income from sale of new products which are delivered with a view to installment repayment for any investment or equipment used for technical renovation of enterprises and increasing productivity in the form of compensation trade. Any investment made by the buyer gratuitously on condition that products be supplied at a cheap price shall not be treated as compensation trade. The seller shall treat it as income from sale and pay tax according to law.

E. Regular product tax reduction/exemption will be given to the newly increased volume of electricity sold (except diesel-generated electricity) if the capital for such generators is raised collectively.

F. New products developed by organizations of economic association will enjoy product tax (value-added tax) reduction exemption in accordance with relevant tax provisions. The reduced exempt amount will be used for technical development.

## II. Income Tax From the Profits of Organizations of Economic Association

A. Profits gained by organizations of economic association (including enterprises and units under public ownership or collective ownership) will be shared among all members in accordance with terms previously agreed. Such profits will be included into the profits of each member for income tax purposes. An organization of economic association is not an enterprise itself. After sharing the profits, each member has to make tax statements to tax departments.

B. If an enterprise which is under public ownership and which belongs to an organization of economic association gets loans from a bank for investment, the loans may be repaid from the profit in accordance with the repayment provisions before income tax is levied.

C. Profits made by enterprises and units from investments in energy, transport facilities, and "old, young, border, and poor" regions will enjoy a 50-percent reduction of income tax for the first 5 years. Temporary income tax exemption will be given for profits which are used for reinvestment in the above business activities and regions.

D. Profits from organizations of economic association and enjoyed by enterprises under public ownership will be exempt from regulation tax. However, regulation tax will continue to be levied on original profits enjoyed by enterprises.

E. Income tax reduction/exemption for enterprises of a coproduction nature in special economic zones will be implemented in accordance with relevant provisions of the State Council.

## III. Tax on Income From Technical Transfers

A. Temporary income tax exemption will be given to any net income not exceeding 300,000 yuan per annum from technical transfers, including technical consultations, technical services, technical training, etc., by enterprises under public ownership and collective ownership. However, income tax will be levied on the part that exceeds 300,000 yuan according to law. Temporary income tax exemption will be given to any net income from technical transfers by colleges, scientific research institutes, and other institutes under public ownership.

B. Temporary business tax exemption will be given to any income from the transfer of technical results by enterprises, institutes, and individuals.

## IV. Apart From the Above Provisions, All Organizations of Economic Association Shall Pay Various Forms of Tax in Accordance With Existing Tax Provisions.

/8309  
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PROVISIONAL RULES ON TAXING INCOME OF S&T RESEARCH INSTITUTES

Beijing STATE COUNCIL BULLETIN in Chinese No 13, 30 May 86 pp 461-462

[Provisional Regulations of the Ministry of Finance on Taxing the Income of Scientific and Technological Research Institutes (1 April 1986)]

(Cai Shuizi [6299 4451 1316] (1986) No 081)

[Text] The following provisional regulations on taxing the income of S&T institutes which are under public ownership but are by themselves independent accounting units (hereinafter called scientific research units, excluding research institutes and various forms of intermediate organizations for technical development, consultations, and services) are made with a view to implementing the "Resolutions on the Reform of the Scientific and Technological Structure" of the CPC Central Committee, giving full play to the economic lever of taxation and supporting the reform of the S&T structure.

1. Temporary business tax exemption will be given to scientific research units for their income from technical transfers, technical consultations, technical services, technical training, technical contracts, and technical exports.

2. Regular product tax and value-added tax reduction/exemption will be given to new products by scientific research units in accordance with relevant state tax laws.

3. Temporary income tax exemption will be given to scientific research units for their technical income from technical transfers, technical consultations, technical services, technical training, technical contracts, technical exports, and technical share-buying.

4. Regarding the new products by scientific research units, any amount deducted or exempt from product tax and value-added tax may be exclusively spent on technical development and shall be exempt from income tax.

5. Temporary income tax exemption will be given to scientific research units for their income from using idle equipment and facilities under lease. Such income shall be retained by scientific research units and be used exclusively for the renovation of fixed assets.

6. Profits made by scientific research units from investments in energy, transport facilities and "old, young, border, and poor" regions will enjoy a 50-percent reduction of income tax for the first 5 years. Temporary income tax exemption will be given for profits which are used for reinvestment in the above business activities and regions.

7. Income tax shall be levied on the production income and nontechnical income of scientific research units at the grade-eight accumulative tax rate as stipulated in the "Regulations on the Income Tax of State Enterprises." Subject to the approval of tax departments, scientific research units may, if they have difficulties in paying their income tax for new trial products and medium-term trial products, enjoy income tax reduction for a specified period of time.

8. During the first 3 years of financial independence scientific research units (those which have become financially independent before the end of 1985 may take 1986 as the starting year) may withdraw 20 percent of their total technical income as technical development funds which are deductible from their taxable income. Such funds shall be used for the development of scientific research.

9. There should be a clear line between various forms of technical income and production income and other nontechnical income. Different books shall be used and different balance statements shall be made.

10. Scientific research units shall pay construction tax, major energy and transport construction funds, and institutional bonus tax in accordance with relevant state provisions.

All income tax provisions within these provisional regulations shall take effect from the date of these regulations.

/8309  
CSO: 4005/469

## PROVISIONAL RULES ON REGISTERING ECONOMIC ASSOCIATION GROUPS

Beijing STATE COUNCIL BULLETIN in Chinese No 13, 30 May 86 pp 462-464

[Provisional Regulations on the Registration of Organizations of Economic Association (Promulgated by the State Industry and Commerce Administration on 31 March 1986)]

(Gong Shang [1562 0794] (1986) No 80)

[Text] The following regulations are made in accordance with the State Council's "Rules on Certain Questions Concerning the Further Promotion of Lateral Economic Ties" with a view to promoting the healthy development of organizations of economic association, protecting their legal rights and consolidating the registration of organizations of economic association.

Article 1. Organizations of close economic association are organizations which deal with production or service trades and have independent capital, autonomous operation, and independent accounting, assume sole responsibility for their own profits or losses and assume economic responsibilities on their own.

Members of organizations of semiclose economic association shall use their assets or assets managed by them to assume joint responsibility in accordance with contracts or agreements signed, within the realm of joint operation.

Article 2. To set up an organization of economic association, all interest parties shall submit approval papers of authorizing departments to city or county industry and commerce administrations and apply for registration. No organization shall operate unless and until registration is approved and a license is obtained.

An operating license shall be issued once an organization of close economic association is approved. An operating license in which the date of expiry is specified shall be issued to an organization of semiclose economic association which has not formed an economic entity in accordance with its relevant contracts and agreements.

Article 3. In applying for registration, an organization of economic association shall submit the following documents or copies:

- a) an application for registration signed by all members of the organization;
- b) copies of operating licenses of all member enterprises;
- c) a feasibility report compiled and discussed by members of the organization;
- d) approval documents of local authorizing departments;
- e) a constitution agreed by all members of the organization;
- f) documentary proof of investment or documentary proof of assuming joint responsibility produced by respective financial departments and proof of credit produced by financial departments and banks where the accounts are opened;
- g) to apply for operating any trade for which the state has made special provisions, an organization of economic association shall also submit special approval papers by supervising departments.

Article 4. The following shall be stated in the constitution of an organization:

- a) name and address;
- b) purpose of business;
- c) members' names and economic nature;
- d) the form of subscription, the amount of capital and the length of investment;
- e) the rights and obligations of members;
- f) a specific proposal for sharing profits and assuming joint economic responsibilities;
- g) scope of business and form of operation;
- h) the conditions and procedures of joining and withdrawing;
- i) the establishment, form and powers of an executive body, the procedures of policymaking, names of chief officers and their tenure;
- j) the procedures of amending the constitution;
- k) any other items to be specified.

Article 5. No minimum registered capital shall be provided for organizations of semiclose economic association which have to assume joint responsibilities. Neither shall such organizations report their minimum registered capital. The phrase "members shall assume joint responsibilities" shall be specified under the item "registered capital" and "nonaccounting unit" shall be specified under the item "form of accounting" in the operating license.

Article 6. An organization of economic association shall have a name of its own and the place at which the organization is located and the word "association" shall be specified. Approval shall be given in accordance with the "Provisional Regulations on the Registration of Names of Industrial and Commercial Enterprises."

Article 7. Organizations of economic association shall operate in accordance with the scope of business and form of operation approved by industry and commerce administrations. The actual criteria for approval shall be set in accordance with the conditions of operation, taking into account the members' original scope of business. The scope of business of any organizations of economic association formed by enterprises with a view to developing new business shall be reapproved in accordance with relevant provisions.

Article 8. The economic nature of organizations of economic association shall be classified as joint public operation joint collective operation and joint public and collective operation in accordance with members' original nature of ownership. (Institutes funded by the state shall be treated as public ownership.)

/8309  
CSO: 4005/469

STATE COUNCIL APPOINTMENTS, REMOVALS

Beijing STATE COUNCIL BULLETIN in Chinese No 13, 30 May 86 p 464

[State Council Appointments and Removals (5 January 1986)]

[Text] Appoint Zhang Zhen [1728 7201] consul general in Leningrad.

Appoint Weng Fupei [5040 4395 1014] consul general in Manchester.

Appoint Ni Yaoli [0242 3613 4409] consul general in Houston.

Appoint Tang Xingbo [3282 5281 0130] consul general in New York.

Dismiss Tang Xingbo [3282 5281 0130] from the office of consol general in Houston.

Dismiss Ji Lide [4764 4539 1795] from the office of consul general in New York.

/8309

CSO: 4005/469

## PROVISIONAL REGULATIONS ON EXPANDING S&T INSTITUTES

Beijing STATE COUNCIL BULLETIN in Chinese No 14, 10 Jun 86 pp 466-468

[Provisional Regulations on the Expansion of the Autonomy of Scientific and Technological Research Institutes (Promulgated by the State Council on 19 April 1986)]

[Guofa [0948 4099] (1986) No 47)

[Text] The following regulations are set down in order to strengthen the vigor of scientific and technological research institutes (hereafter referred to "research institutes") so that they become developmental scientific and technological research entities which take decisions for themselves.

### 1. Tasks

Under the precondition of guaranteeing the completion of state tasks, the research institutes shall in accordance with the needs of society, the economy, and scientific and technological development, and proceeding from their own characteristics and conditions, have the right to take on various types of scientific and technological tasks from the society, and in accordance with the principle of voluntary participation and mutual interests, to establish various types of cooperative relationships and various forms of links with enterprises, planning units, and tertiary educational institutions. Upper level departments should give them encouragement and support, and must not restrict them in this. The research institutes can sign contracts with other units in respect of technological development, technology transfer, and application of technology in serving society, and thereby obtain lawful income.

### 2. The Administrative Leadership System

Research institutes will implement institute director responsibility systems. The institute director will take charge of the professional and administrative work of the institute, while the deputy institute director will assist the institute director in his work. The institute director will be appointed and dismissed by upper-level departments, while the appointment and dismissal of the deputy institute director will be proposed by the director and approved by upper-level departments in accordance with stipulated procedures. The institute director and deputy director are to be appointed for a set period, which can be renewed. The factory director can appoint and dismiss middle-level administrative cadres of the unit. The engagement or appointment of specialized technological staff should be carried out in accordance with relevant state regulations.

Research institutes should perfect management systems and strengthen democratic management. It is allowable to establish democratic management organizations, such as institute work committees, academic and technology committees, workers representatives committees, and so on. These will fully respect and bring into play the role of the scientific and technological personnel and other staff and workers in considering the major decisions of the institute as well as in supervising the various levels of leaders, including the institute director, safeguarding the lawful interests of the staff and workers and so on.

### 3. Personnel Management

All research institutes which are allocated operating funds by the state have the right to decide by themselves to bring in, send off, and arrange the employment of all types of personnel as long as this falls within the scope of the establishment approved by the state and accords with the rational structure of personnel allocation and the relevant state regulations. Those research institutes which have achieved self-sufficiency in terms of operating funds can, under the preconditions of abiding by the state's personnel management system, employ various types of personnel by themselves in accordance with the demands of work.

As for those personnel who are allocated to research institutes, the research institute should carry out an examination and employ them on a trial basis. The institute has the right to refuse to accept those personnel who do not suit the unit's work or within the period of trial employment to send them back to the original allocating unit for reallocation.

Within research institutes the powers and functions of tasks group leaders should be expanded and the task group leader can, in accordance with the demands of work, select and allocate task group personnel.

### 4. Funds and Taxation

Research institutes can, in accordance with relevant state regulations, decide for themselves how to arrange and use funds they have obtained through various channels.

Those research institutes which have realized complete self-sufficiency in terms of operating funds can retain all of their post-tax net profits and use these to establish development funds, welfare funds, and encouragement and reward funds. At least 50 percent of the funds must go to the development fund.

Those research institutes which are at present moving toward operating fund self-sufficiency can be supplied with funds to cover their shortfalls. The net income can be used to offset the amount of operating funds allocated, and funds can be taken off for a development fund, welfare fund, and encouragement and reward fund. In general, the amounts paid into the welfare fund and the encouragement and reward fund should be less than research institutes which have acquired operating funds self-sufficiency allocate to their welfare and encouragement and reward funds.

In those research institutes which have implemented operating fund contract systems, rational income obtained after completing the tasks set down by the state or higher level shall be handled in accordance with the relevant regulations of "Provisional Regulations of the State Council on the Management of Funds Allocated to Science and Technology" (Guofa [0948 4099] (1986) No 12). ("Provisional Regulations of the State Council on the Management of Funds Allocated to Science and Technology" was carried in the 1986, No 4 issue of this Bulletin.)

In the distribution of bonuses to various types of research personnel in those research institutes which engage in diverse types of research work, there should be unified planning with due consideration for all concerned so as to benefit the steadiness of the various types of research work.

In order to support the development of science and technology there will, for the time being, be no income tax levied on research institutes' income of a technology nature. There will, in accordance with relevant regulations, be reduced taxation or tax exemption for new products and experimental products.

##### 5. Handling of Assets

Those research institutes which have realized self-sufficiency in operating funds should act in accordance with the system of depreciation for fixed assets established by an enterprise. They also have the right, in accordance with relevant state regulations, to dispose of excess equipment and materials other than large-scale and precision equipment purchased through state investment. Those research institutes which are moving toward self-sufficiency in terms of operating funds should gradually trial-implement this system in accordance with their degree of self-sufficiency in operating funds.

Research institutes should put efforts into improving use-efficiency of large-scale and precision equipment, and develop external service and hire service. The majority of the income thus obtained should be used in the renewal of the units' fixed assets.

The state will provide selective support for scientific research base construction projects and large-scale and precision equipment within research institutes.

##### 6. Scientific and Technological External Affairs and Foreign Exchange

Those research institutes which have done quite well in scientific and technological reform work and have certain conditions for external dealings can, if there is a need and they obtain the approval of the provincial, autonomous region, or directly administered city people's government or the responsible department of the State Council, engage in direct scientific and technological cooperation and interchange with parties abroad. The necessary foreign exchange will be allocated or subsidized by upper-level departments.

The foreign exchange income retained by a research institute can in accordance with state regulations be placed in a bank account under the research institute's name. The institute also has the right to make its own arrangements, in accordance with state regulations, for using the above-mentioned retained foreign exchange and foreign exchange which it has raised itself.

#### 7. Other

These regulations are applicable to independent research institutes under public ownership. Other types of research institutes can use them for reference.

Provincial, autonomous region, and directly-administered city people's government and relevant departments of the State Council can, in accordance with these regulations, formulate and implement methods which accord with the actual situation of a region or department.

These regulations will be interpreted by the State Science and Technological Commission.

/8309  
CSO: 4005/328

## CIRCULAR ON STOPPING ARBITRARY CHARGES ON ENTERPRISES

Beijing STATE COUNCIL BULLETIN in Chinese No 14, 10 Jun 86 pp 470-472

[*"State Council Circular on Resolutely Stopping the Arbitrary Levying of Charges on Enterprises"* (23 April 1986)]

[Guofa [0948 4099] (1986) No 49]

[Text] In order to resolve the problem whereby the arbitrary levying of charges on enterprises had resulted in enterprises having excessively heavy social responsibilities, in 1982 the State Council promulgated "Several Regulations for Resolving the Problem Whereby Enterprises' Social Responsibilities Are Too Great" (Guofa [0948 4099] (1982) No 133). In 1983, the State Council and the Central Commission for Discipline Inspection jointly issued the "Emergency Circular on Resolutely Stopping Arbitrary Increases in the Price of the Means of Production and the Arbitrary Levying of Charges on Construction Units" (Guofa [0948 4099] (1983) No 104). Further, the General Office of the CPC Central Committee and the General Office of the State Council issued, in accordance with instructions from the Secretariat of the CPC Central Committee and the State Council, the "Circular on Resolutely Stopping the Arbitrary Levying of Charges on Enterprise Units, Institutional Units and Individuals Under the Pretext of 'Pooling Funds'" (Zhongbanfa [0022 6586 4099] (1983) No 59). (The three above-mentioned regulations and circulars were published respectively in the 1982, No 18; 1983, No 16; and 1983, No 17 issues of this Bulletin.) Some areas and departments have acted in accordance with the spirit of the above-mentioned documents and have done much work in this respect and achieved certain results. However, many regions and departments have turned a deaf ear to the repeated injunctions of the Central Committee and the State Council. They have not implemented instructions and they have not prohibited those things which have been banned. Some units have used their powers of office to solicit funds by compulsory means or even engaged in extortion; some regions have gone in for ostentation and extravagance, pursued formalism gone in for large-scale construction, and wasted money and manpower; some leading cadres have been eager for quick success and easy benefit and, without concerning themselves with the state's capabilities, arbitrarily engaged in engineering projects outside the state plans, and so on. This has led to where the problem of arbitrary levying of charges on enterprises has not yet been resolved, and in some areas it is increasing and getting more serious. "Hands stretch out from the four directions and requests for money come in from the eight sides."

The names under which this is carried out are manifold and the amounts involved are very large. According to an investigation, in 1984 the 168 enterprises in Jinzhou City, Liaoning Province, paid out a total of 5.24 million yuan in levied charges for various purposes. This constituted 9.5 percent of the total amount of the retained profits of the enterprises. In the first half of 1985, they paid out 5.22 million yuan, 13.1 percent of their total retained profits. The 104 enterprises in Anyang City, Henan Province, paid out 1.65 million yuan in levied charged for various purposes in 1984, which constituted 7.3 percent of their total retained profits. Five textile mills in Zhengzhou City expended 60,000 yuan on their social responsibilities in 1980. By 1984, this had reached 1.14 yuan and in the first half of 1985 it rose dramatically to 2.26 million yuan. Of the 28 bureau-level departments in Changde City in Hunan, 21 departments had levied charges or solicited materials from enterprises. In 1984 and the first half of 1985, 47 industrial and commercial enterprises paid out a total of 3.48 million yuan for various types of social responsibilities, an average per capita responsibility of 197 yuan. A collectively owned factory with only 275 staff and workers, was required to pay out 130,000 yuan, a per capita average of 479 yuan. Similar situations exist to differing degrees in many other areas. This practice assists the expansion of the scale of capital construction investment outside the plans, and exacerbates the shortages of raw and semifinished materials, energy, and transport. Of the funds solicited from enterprises, some are put down as costs, while others are paid as extra-operational costs or paid from the enterprises' retained profits. Not only does this reduce the state's financial income, but it takes off funds which the state can leave with enterprises for technical transformation, affects the ability of the enterprises to develop production and harms the lawful interests of the staff and workers. Some units even put the charges levied into their "petty-cash drawer," seek private interests and engage in unhealthy tendencies. It is necessary to adopt resolute means and firmly put an end to this serious situation. Thus, the State Council reiterates that all regions and all departments must seriously implement the various regulations of the Central Committee and the State Council in respect of stopping the arbitrary levying of charges on enterprises, and further circularizes:

1. No people's government, department, administrative unit, institutional unit, group, neighborhood or other grassroots-level organization is permitted, under any pretext or in any form to levy charges on enterprises.
  - i) It is not permitted to levy charges (including materials and so on. Same below) on enterprises under the pretext of initiating municipal works or urban public facilities.
  - ii) It is not permitted, on the pretext of funds being insufficient, to levy administrative charges, management charges, means of transport purchase charges, or other charges. It is not permitted to invent all sorts of names to levy charges on enterprises so that the levying unit can carry out welfare projects, issue bonuses, or build accommodations and other buildings.
  - iii) It is not permitted to levy activities charges or food subsidy charges on enterprises with the excuse that meetings are being called or that various types of activities are being arranged.

- iv) It is not permitted to levy charges on enterprises under the pretext of arranging recreation and sports activities, publishing newspapers or magazines, or making a film or television program, or under the name of "support," "financial assistance," or "contribution."
- v) No association, society, research association, foundation or other social or mass group is permitted to levy any sort of charge on enterprises, except for its source of funds as stipulated by the state.

2. Except where provided for by state laws, administrative laws, and other State Council regulations, no unit is permitted to pool funds from enterprises.

In individual specific projects where there is a need for enterprises to shoulder some of the expenses, the provincial, autonomous region, or directly administered city people's government or responsible departments of the State Council must examine and report on the project to the State Economic Commission. After examination and approval by the State Economic Commission, the Auditing Administration and the Ministry of Finance, the limits of the charges and the scope of use of the funds for the project will be clearly set down. Major projects of this type are to be reported to the State Council for approval.

3. The State Council instructs the State Economic Commission together with the Auditing Administration and the Ministry of Finance to be responsible for the supervision and investigation of the situation and problems in various regions and various departments in putting an end to arbitrarily levying charges on enterprises. In the future, this work is to be an important part of major taxation, financial, and price inspections. All levels of audit, financial, banking, taxation, and commercial administration management organs and units should, from their own aspects of work, strengthen the inspection and checking of the problem of arbitrary levying of charges on enterprises. All relevant units must implement the arrangements decided upon by the supervisory and examination organs. In cases where there is refusal to implement the decision, through a notice from the auditing organ to the bank, the funds will be forcibly deducted from the relevant account of the organ which has arbitrarily levied the charges and returned to the enterprises. As for those who engage in a arbitrary levying of charges, apart from recovering the arbitrarily levied funds, the upper-level management unit will seek out the major responsible persons and determine the responsibility of the units' responsible persons. All regions and all departments must observe, in a model way, the relevant regulations of the central authorities and State Council in respect of stopping the arbitrary levying of charges on enterprises, and guarantee the smooth implementation of the work.

4. Enterprises must safeguard the state's interests, adhere to financial discipline, and firmly resist unhealthy tendencies. As for activities of arbitrary levying of charges, enterprises have the right to resist these. If the resistance is ineffective, this can be notified to the higher-level

economic committee, auditing or financial departments, and the offices for major taxation, financial, and price inspections. The relevant organ should then handle the matter in a timely way. Enterprises can also bring cases to people's courts. If enterprises are subject to threats, have obstacles created for them, or suffer reprisal attacks, the responsibility of relevant persons must be investigated and affixed, and the matter handled in a serious manner.

5. All regions and departments must conduct a serious investigation and sorting out of the situation in regard to the arbitrary levying of charges on enterprises since the State Council's "Several Regulations for Resolving the Problem Whereby Enterprises' Social Responsibilities Are Too Great" was passed down in 1982, and report the results of the sorting out and handling arrangements to the State Economic Commission, Auditing Administration, and Ministry of Finance before August this year. The State Economic Commission, together with the Auditing Administration and Ministry of Finance, must be responsible for the supervision and inspection of the implementation of this circular by the various regions and departments and report this to the State Council.

The problem of arbitrary levying of charges on administrative units, institutional units and individuals can be handled with reference to this circular.

/8309  
CSO: 4005/328

END